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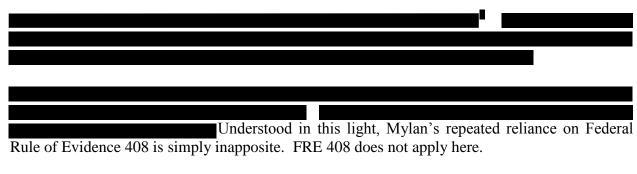
BY E-FILING AND FAX

The Honorable Joel Schneider
United States District Court for the District of New Jersey
Mitchell H. Cohen Building & U.S. Courthouse
4th & Cooper Streets
Room 1050
Camden, New Jersey 08101

Re: Sciele Pharma, Inc., et al. v. Lupin Ltd., et al., C.A. No. 09-037-RBK-JS

Dear Judge Schneider:

	Shionogi Pharma, Inc. ("Shionogi") submits this letter in response letter of July 20, 2012, D.I. 505, regarding the discoverability of	to Defenda	nt
Wiyian S	ictic of July 20, 2012, D.i. 503, regarding the discoverability of		
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A. •	is not a "Settlement Agreement	t "	



B. Is Discoverable

Even assuming *arguendo* that the characterized as a "settlement agreement" within the meaning of FRE 408, that agreement and the underlying negotiations and forecasts are still discoverable under governing Federal Circuit authority. Specifically, the Federal Circuit has made clear that "settlement negotiations related to reasonable royalties and damages calculations are not protected by a settlement negotiation privilege." *In re MSTG*, *Inc.*, 675 F.3d 1337 (Fed. Cir. 2012). In *MSTG*, the Court also noted that "[o]ur cases appropriately recognize that settlement agreements can be pertinent to the issue of reasonable royalties." *Id.* at 1348 (citing *ResQNet.com*, *Inc.* v. *Lansa*, *Inc.*, 594 F.3d 860, 869-873 (Fed. Cir. 2010)). Thus, there is no general bar to discovery here and the Federal Circuit's decisions in *MSTG* and in *ResQNet.com* should end the inquiry.

As one district court stated in dealing with a similar discovery dispute:

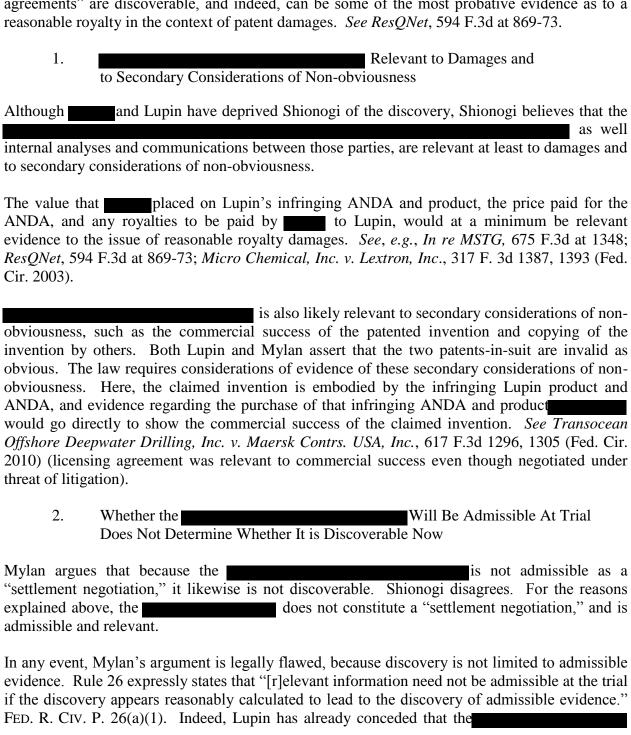
Simply put, the Federal Circuit's ruling in *ResQNet.com* forecloses VMI's categorical contention that "[a]greements reached to resolve patent litigation are not relevant to the calculation of a reasonable royalty." The vast majority of courts to consider the relevance of settlement agreements (and offers) to the subject of patent damages in light of *ResQNet.com* have reached the same conclusion about said decision's meaning and import.

Volumetrics Med. Imaging, LLC v. Toshiba America Med. Sys., Inc., 2011 WL 2470460, at *14 (M.D.N.C. June 20, 2011) (and cases cited therein); see also Caluori v. One World Techs., Inc., 2012 WL 630246, at *4 (C.D. Cal. Feb. 27, 2012) ("[N]umerous district court holdings since ResQNet confirm that it is not unreasonable to rely on a settlement agreement for the purpose of

Indeed, Lupin's expert Mr. Hofmann asserted to the Court that, as to

discussions concerning the sale of an ANDA are "not a negotiation for the patents-in-suit because the ANDA filer has no rights to the patent-in-suit." D.I. 436 (Mar. 7, 2012 Hofmann Decl.) at ¶ 32. Similarly, Lupin asserted to the Court that "[t]he purchaser of an ANDA would not receive a license to sell a product protected by a patent assumed valid and infringed." D.I. 435 (Lupin's Protective Order Reply Brief) at 10. These statements directly contradict Mylan's assertion that the disputed transaction was part of "global settlement negotiations."

establishing reasonable royalty rates."). Accordingly, there can be no dispute that "settlement agreements" are discoverable, and indeed, can be some of the most probative evidence as to a



is discoverable by agreeing to produce it, along with associated documents.² D.I. 487, Ex. I (email from Lupin to Shionogi, dated June 27, 2012).

Whether is admissible depends on both the contents of that as well as the purposes for which it might be put into evidence. As this Court has acknowledged, admissibility is an issue to be determined at trial. May 11 Hearing Tr. at 78:18-20; see also In re MSTG, 675 F.3d at 1345 ("Rule 408 itself contemplates a host of scenarios under which documents related to settlement negotiations would be admissible for purposes other than [those excluded by FRE 408]."). Of course, neither the Court nor Shionogi have the benefit of knowing the contents of the itself, or of documents related to the negotiation. Yet, Mylan seeks to rely on admissibility as both a sword and a shield, when Defendants alone have possession of those documents. That is unfair in the extreme.³

But in any event, as discussed above, ________ is reasonably calculated to lead to admissible evidence about the value that Lupin placed on the patented product, among other issues, and secondary considerations of non-obviousness. Indeed, it could potentially be the most probative evidence given that it directly involves the technology in suit. Whether or not ______ will ultimately prove admissible at trial is an issue for another day, and in any event, does not determine its discoverability.

C. Mylan's Attempts To Distinguish *In re MSTG* Are Unavailing

Mylan also asserts that *In re MSTG* does not disturb the cases it cites in its July 5, 2012 preconference letter in which courts have excluded settlement agreements and negotiations. *See* D.I. 505 at 4-8. Shionogi disagrees. Clearly, the Federal Circuit's ruling is controlling. Even if it were not, Mylan's cases are irrelevant to the discoverability of Those cases all pre-date *In re MSTG*, and all but two pre-date *ResQNet*. Moreover, those cases concern admissibility at trial, and thus should not be determinative of a discovery

That Lupin later rescinded that agreement after Mylan objected does not alter Lupin's prior concession.

dispute,⁴ or represent compromise offers between adverse parties in a litigation (again, Mylan and Lupin were not litigation adversaries),⁵ or both.

The Federal Circuit in *In re MSTG* has rejected the same policy arguments Mylan makes concerning FRE 408 and this Court need not consider them. Indeed, beyond baldly asserting that production "would chill potential settlement negotiations in this case," D.I. 505 at 1, Mylan offers no proof that "that denial of discovery of the settlement negotiation documents [is] *necessary* here to encourage settlement." *In re MSTG*, 675 F.3d at 1348 (emphasis added).

Shionogi therefore respectfully requests that the Court order both Lupin and Mylan to immediately produce all documents responsive to Shionogi's document requests concerning

Respectfully submitted,

/s/Karen Jacobs Louden

Karen Jacobs Louden (#2881)

cc: All Counsel of Record

will contain reliable information relevant to the reasonable royalty calculation, such as the value Lupin placed on its ANDA (and therefore its infringing product). Lupin had no reason to charge less than fair value for Lupin's ANDA to reduce costs and end litigation, as there was no litigation between them.

Mylan cites the following cases that all concern admissibility, not discoverability: Abbott Labs. v. Sandoz, Inc., 743 F. Supp. 2d 762 (N.D. Ill. 2010); Pioneer Hi-Bred Intern., Inc. v. Ottawa Plant Food, Inc., 219 F.R.D. 135 (N.D. Iowa 2003); Spreadsheet Automation Corp. v. Microsoft Corp., 587 F. Supp. 2d 794, 800-01 (E.D. Tex. 2007); Uniloc USA, Inc. v. Microsoft Corp., 632 F. Supp. 2d 147, 159 (D.R.I. 2009); Donnelly Corp. v. Gentex Corp., 918 F. Supp. 1126, 1133 (W.D. Mich. 1996).

Mylan cites the following cases that concern settlement negotiations between adverse parties, not co-defendants: *Bascom Global Internet Servs. v. AOL LLC*, Civil Action No. 08-1765, 2011 U.S. Dist. LEXIS 100609, at *4 (E.D.N.Y. Sept. 8, 2011); *Vardon Golf Co., Inc. v. BBMG Golf Ltd.*, 156 F.R.D. 641, 652 (N.D. Ill. 1994).